

An Impressive 2005 for NJ Tourism



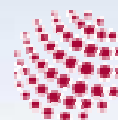
The Tourism Satellite Account Perspective

2006 New Jersey Governor's Conference on Tourism

April 7, 2006



NJ TOURISM
ONE INDUSTRY. MANY BENEFITS.



GLOBAL INSIGHT

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Global Insight

- Premier economic analysis & forecasting, global intelligence, and consulting organization
- Most comprehensive coverage of countries, regions, and industries available from any single source
- Common analytical framework and a consistent set of assumptions
- Broad range of capabilities include:
 - Tourism Market Analysis
 - Feasibility & Risk Assessment
 - Destination Analysis & Impact
 - Demographic Analysis
 - Performance Benchmarking
 - Strategic & Tactical Planning Tools
- Global Insight has the best track record among all commercial forecasters.

Tourism Satellite Accounting

- The **Tourism Satellite Account** is the international (UN/WTO, OECD) standard for measuring the contribution of tourism to an economy
- The tourism 'industry' is not measured in standard economic accounting systems.
- 'Industry' is a *supply-side* concept: the focus is on what is being produced.
- But 'Tourism' is a *demand-side* concept: the focus is on who's buying products - the visitor.
- Tourism affects parts of many industries

Benefits of a TSA

- **Compares government support** of the tourism sector **with government revenue** generated by tourism.
- Allows policy-makers to compare the **size & growth of tourism** to other industrial sectors.
- Enables analysts to **assess long-term health** of the tourism sector via capital investment and government support.
- Provides an accepted international standard for **benchmarking**.
- Quantifies how **other industry sectors benefit** from tourism.

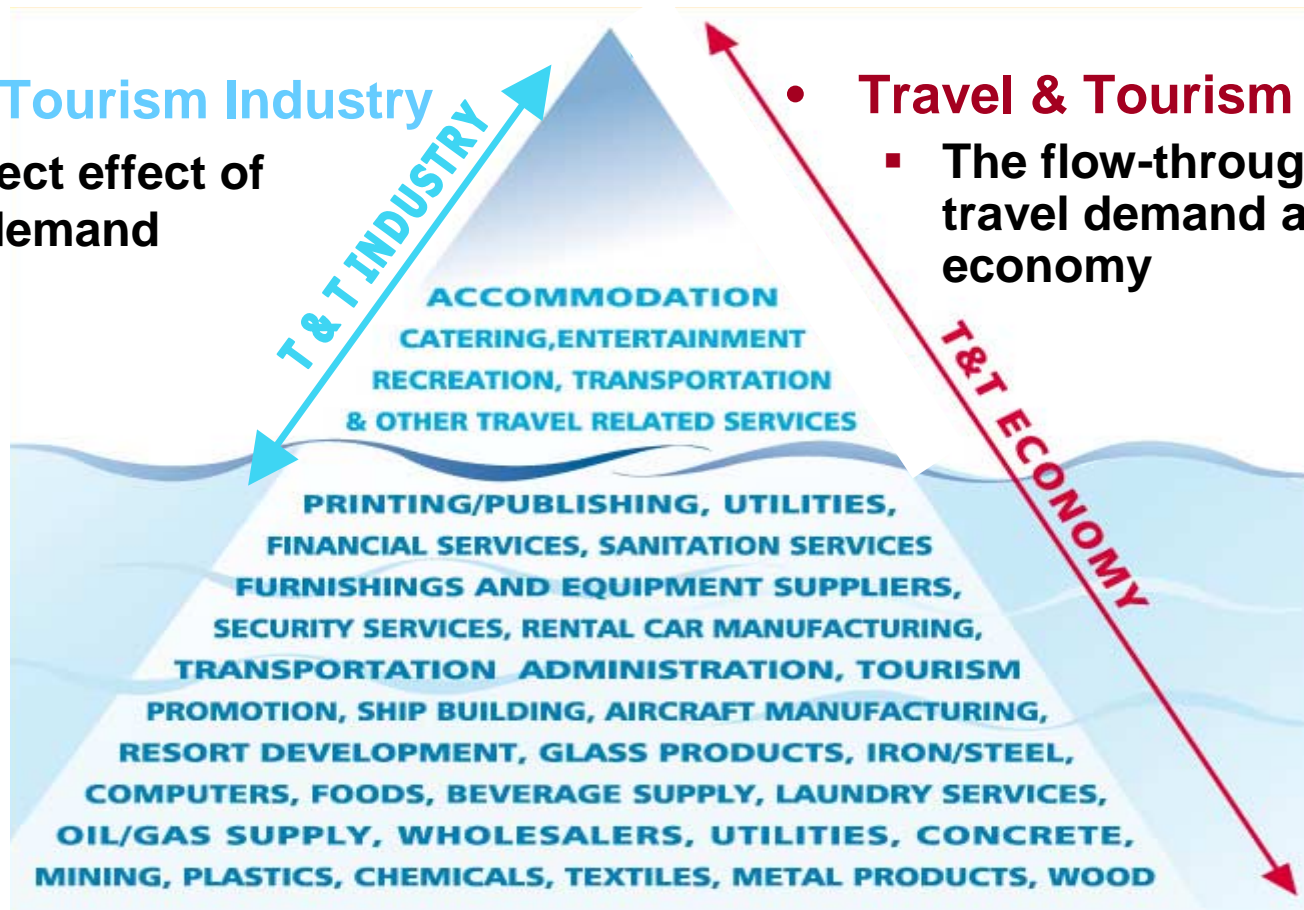
T&T Industry and Economy

- **Travel & Tourism Industry**

- The direct effect of travel demand

- **Travel & Tourism Economy**

- The flow-through effect of travel demand across the economy

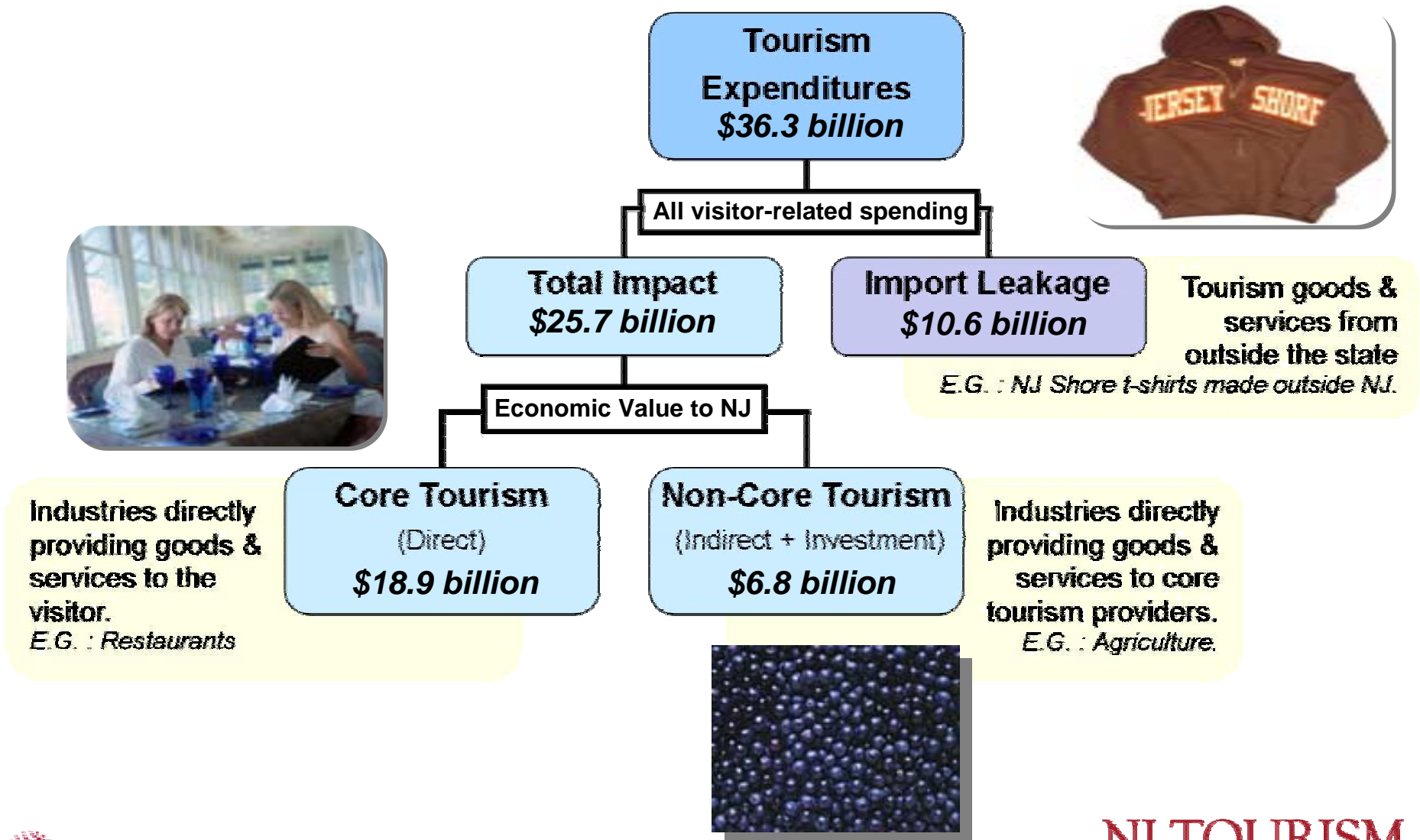


The TSA provides both a narrow & a broad understanding of the *Tourism “Industry”*



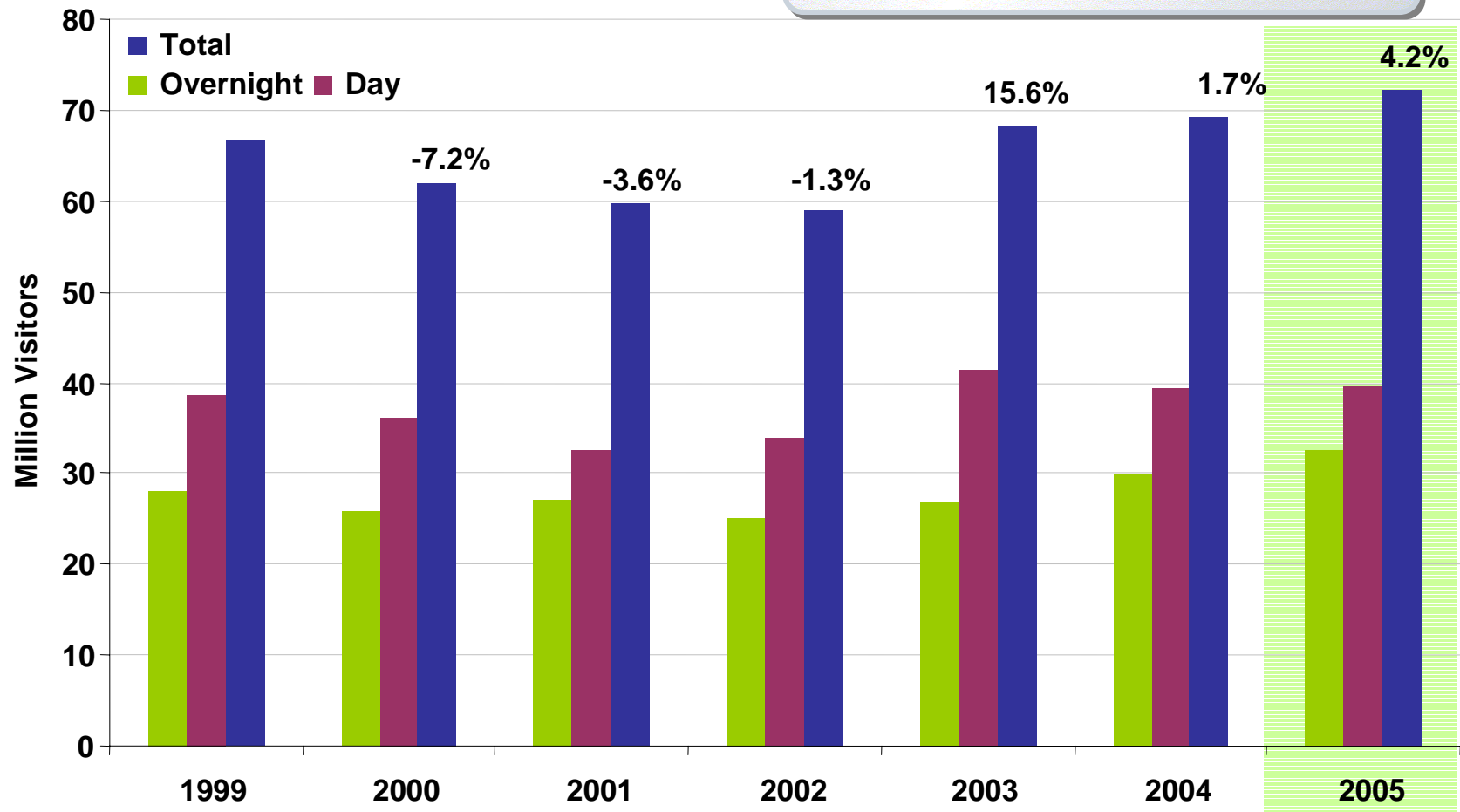
2005 New Jersey Tourism: An Impressive Year

Industry Structure: Definitions



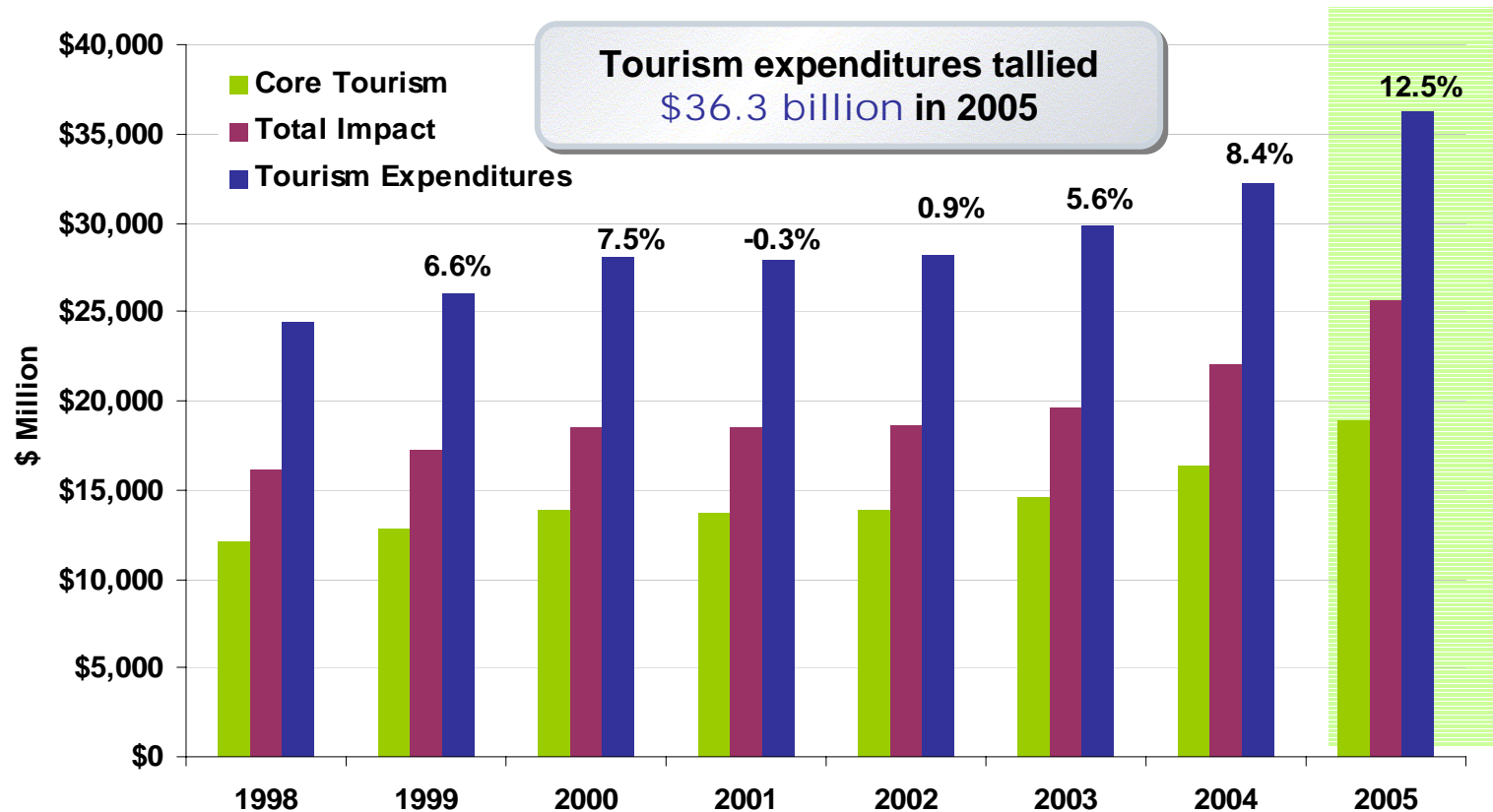
Visitors to New Jersey

Overnight visitors grew 8.9% in 2005
vs. 0.7% growth of day visitors.



Total Tourism Expenditures

- NJ visitation grew 4.2%
 - Overnight visitation: + 9%
- Spending per visit rose by a whopping 10.5%
- Greater Atlantic City visitation rose by 16%
- Business travel increased by 8.7%
- Inflation rose by 3.5%



An Impressive Year for NJ Tourism



2005 Bottom Line:

Measurement	2005	2004	%	Perspective
Economic Value <ul style="list-style-type: none"> Core Tourism Total Impact 	\$18.9 B \$25.7 B	\$16.4 B \$ 22.0 B	15.2% 17.0%	<ul style="list-style-type: none"> NJ Tourism is larger than the entire GDP of 134 countries. Outstanding growth! '05 NJ Total GSP growth = 5.3%
Wages & Salaries <ul style="list-style-type: none"> Core Tourism Total Impact 	\$10.9 B \$15.2 B	\$9.4 B \$12.8 B	16.2% 18.4%	<ul style="list-style-type: none"> NJ Avg. Annual Tourism Wages are now \$32,194. This is 3.5 times faster than total NJ wage growth.
Employment ('000) <ul style="list-style-type: none"> Core Tourism Total Impact 	390.5 472.3	359.0 430.2	8.8% 9.8%	<ul style="list-style-type: none"> 1 out of every 9 NJ workers owes his/her job to tourism. Tourism was NJ's fastest growing sector
Taxes –Total Impact	\$7.1 B	\$6.6 B	8.4%	<ul style="list-style-type: none"> Tourism saved each NJ household \$1,236 in taxes in 2005

Numbers may differ due to rounding

2005 NJ Tourism Scorecard:

Measurement	2005	2004	%	Perspective
NJ Visitation	72,240	69,300	4.2%	• <i>Most visits since 1993</i>
NJ Tourism Impact (Core)	\$18.9 B	\$16.4 B	15.2%	• <i>Tourism spending grew 3 times faster than total NJ GSP</i>
NJ Tourism Jobs ('000)				• <i>Tourism was NJ's fastest growing industry in '05</i>
▪ Core Tourism	390.5	358.9	8.8%	
▪ Total Impact	472.3	430.2	9.8%	
NJ Tourism Wages				• <i>Avg. Annual Wage increased to \$32,200/year</i>
▪ Core Tourism	\$10.9 B	\$9.4 B	16.2%	
▪ Total Impact	\$15.2 B	\$12.8 B	18.4%	
NJ Tourism Industry Rank (\$)	9th	9th		• <i>Next year Tourism will pass Info Tech and move into 8th place</i>
Tourism Location Quotient	2.3			• <i>NJ is 2.3 times more concentrated in tourism than the US in total</i>
Tourism as a % of NJ GSP	5.9%	5.3%		• <i>Tourism grew its share of the State's total economy in '05</i>
NJ % of US Tourism				• <i>NJ Tourism grew faster than US tourism in total</i>
▪ Jobs	5.8%	5.3%		
▪ Expenditure	2.4%	2.2%		

Total Impact of Tourism

- In 2005, the total impact of travel & tourism (direct and indirect) was **\$25.7 billion**. This represents **5.9% of Gross State Product**
- The ratio of the total impact to total expenditures reveals that **71% of each tourism dollar spent in New Jersey** is retained in the state. The remainder represents import leakages.
- **472,326 jobs** – direct and indirect – were created by travel & tourism economic activity. This accounts for **11.7% of total employment** in the state
- Approximately **\$15.2 billion in wages & salaries** was generated by travel & tourism in 2005.
- Tourism generated **\$7.1 billion** in federal, state, and local government taxes in 2005, an 8.4% increase over 2004.



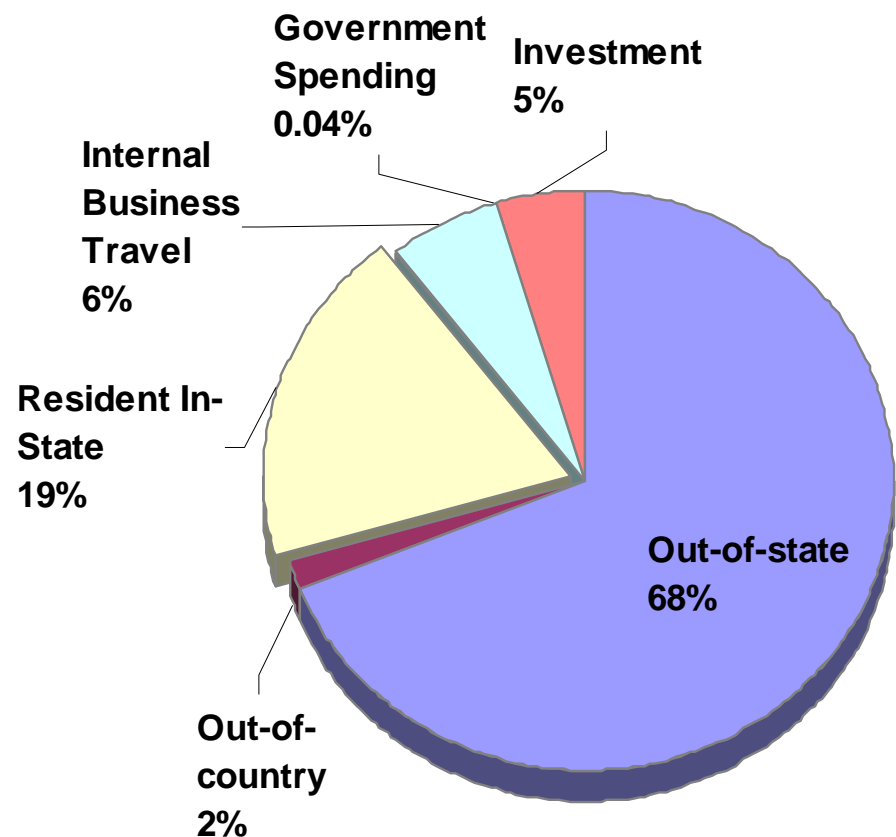
Breaking Down Tourism Expenditures

- **Resident In-State** – In-state travel expenditures of New Jersey residents
- **In-state Business Travel** –New Jersey businesses' spending within the state economy on travel
- **Government Spending** –New Jersey Tourism Office Budget, transportation functions related to tourism, publicly funded attractions and funding for security in tourism-intensive areas
- **Investment** – Construction of hotels, attractions, tourism infrastructure, operating and transportation equipment
- **Domestic Out-of-State** – Spending of all visitors to New Jersey coming from other parts of the country (Key Category)
- **International** – Spending of international visitors to New Jersey

Breaking Down Tourism Expenditures – \$36.3 Billion

Visitors from other states represent the largest portion of tourism expenditures in New Jersey. Residents' travel in the state is also important with 19% of the total.

	Millions \$\$	Share
In State	10,726	30%
Other U.S.	25,018	68%
International	545	2%
Total	\$36,288	100%

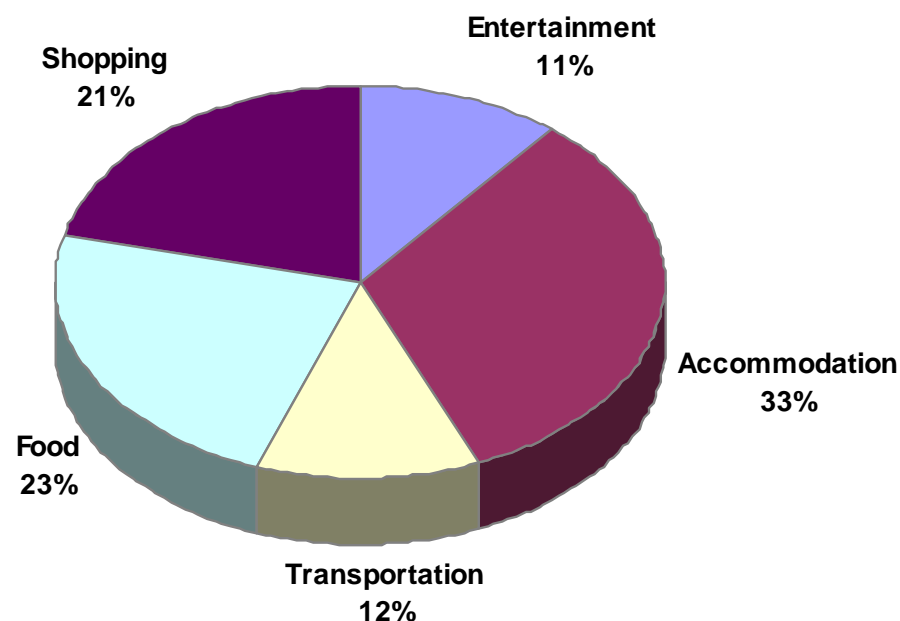


Industry Distribution of Expenditures

Accommodation accounts for the largest share of tourism expenditure. Combined with food and shopping, these components represent nearly 80% of visitor expenditures.

	Millions \$\$	2004-2005 Growth
Entertainment	3,703	8.4%
Accommodation	11,350	7.1%
Transportation	4,186	4.2%
Food	8,006	13.7%
Shopping	7,338	18.7%
Total *	\$34,585	10.7%

* Direct and Indirect Tourism Expenditures (w/o construction & investment)



Core Tourism

- Answers the question “How does tourism compare with other industries?”
- Core Tourism measures the size of the industry directly providing goods & services to the visitor.
- Therefore, all indirect effects are excluded – these are part of other supplier industries such as wholesalers. The impact of capital investment is also excluded.
- Core Tourism generated \$18.9 billion in economic value in 2005. This ranks core tourism as the 9th largest private industry in NJ in terms of gross state product.

Core Tourism – Gross State Product

Core Tourism contributed \$18.9 billion in economic value in 2005.
Tourism ranked as the 9th largest private industry in the state.

Rank	Industry	Millions \$	'04-'05 Growth	% of State
1	Real Estate and Rental and Leasing	70,474	7.3%	17.9%
2	Finance and Insurance	38,057	8.4%	9.6%
3	Professional, Scientific, & Technical Services	35,216	4.6%	8.9%
4	Wholesale Trade	34,468	3.6%	8.7%
5	Non-Durables Manufacturing	32,246	2.1%	8.2%
6	Health Care and Social Assistance	30,225	6.4%	7.7%
7	Retail Trade	28,207	3.9%	7.1%
8	Information	20,148	5.9%	5.1%
9	Construction	18,508	4.2%	4.7%
10	Durables Manufacturing	14,191	3.0%	3.6%
11	Administrative and Waste Services	13,523	6.3%	3.4%
12	Transportation and Warehousing	13,258	5.2%	3.4%
13	Accommodation and Food Services	10,449	4.4%	2.6%
14	Management of Companies and Enterprises	9,235	3.9%	2.3%
15	Other Services	8,913	5.4%	2.3%
	Other Industries	17,581	4.0%	4.5%
	Total	394,699	5.3%	100.0%
	Government	43,458	5.8%	
	Travel & Tourism	18,902	15.2%	4.8%

Travel & Tourism has 4.8% of New Jersey's GSP

Core Tourism Impact – Composition

The TSA model measures how spending of visitors touches diverse sectors to create the aggregate Core Tourism.

Composition of Core Tourism				
Rank	Industry	\$ Value (Millions)	'04-'05 Growth	% of Total
1	Hotels and motels- including casino hotels	7,080	16.7%	37.5%
2	Food services and drinking places	3,820	19.0%	20.2%
3	Real estate	2,142	4.7%	11.3%
4	Other amusement- gambling- and recreation industries	1,943	11.7%	10.3%
5	Air transportation	688	18.7%	3.6%
6	Food and beverage stores	611	25.8%	3.2%
7	Automotive equipment rental and leasing	574	1.5%	3.0%
8	Travel arrangement and reservation services	572	10.9%	3.0%
9	Clothing and clothing accessories stores	545	25.8%	2.9%
10	General merchandise stores	289	25.8%	1.5%
11	Sporting goods- hobby- book and music stores	163	25.7%	0.9%
12	Performing arts companies	106	13.0%	0.6%
13	Miscellaneous store retailers	101	25.9%	0.5%
14	Water transportation	84	12.8%	0.4%
15	Gasoline stations	64	25.8%	0.3%
	Other Industries	120	16.2%	0.6%
Total		18,902	15.2%	100%

Core Tourism – Employment

- Core Tourism is the 3rd largest private sector employer in the state with **390,536 direct full-time equivalency jobs** in 2005.
- Core Tourism generated **9.6% of non-farm state employment** in 2005.
- Core Tourism jobs provided **\$10.9 billion in wages & salaries** in 2005.
- Core Tourism generated approximately **\$473 million in payroll taxes in 2005** (state and federal).
- Core Tourism's **average annual wage** has grown to **\$32,200/year**.

Core Tourism Impact – Employment

Travel & tourism is NJ's *3rd largest private sector employer.*

Rank	Industry	Employment (Thousands)	2004-2005 Growth	% of State	LQ Index
1	Retail Trade	479.9	2.6%	11.8%	1.0
2	Health Care and Social Assistance	474.3	2.8%	11.7%	1.1
3	Accommodation and Food Services	286.4	3.3%	7.1%	0.9
4	Administrative and Waste Services	266.0	2.8%	6.6%	1.1
5	Professional, Scientific, & Technical Services	256.9	-0.7%	6.3%	1.2
6	Wholesale Trade	235.8	1.8%	5.8%	1.4
7	Finance and Insurance	221.9	1.2%	5.5%	1.2
8	Manufacturing, Nondurables	183.3	-2.5%	4.5%	1.1
9	Construction	166.8	0.5%	4.1%	0.8
10	Transportation and Warehousing	159.5	-0.9%	3.9%	1.2
11	Other Services	159.3	3.1%	3.9%	1.0
12	Manufacturing, Durables	145.9	-3.4%	3.6%	0.5
13	Information	96.1	-2.5%	2.4%	1.0
14	Educational Services	86.1	1.0%	2.1%	1.0
15	Management of Companies and Enterprises	63.7	-2.1%	1.6%	1.2
	Other Industries	191.4	2.3%	4.7%	0.8
	State & Local Government	579.1	1.3%	14.3%	1.0
	Total Nonfarm	4,052.4	1.2%	100%	1.0
	Travel & Tourism	390.5	8.8%	9.6%	2.3

Core Tourism
represented
390,536 jobs
in 2005.

Tourism's contribution to NJ employment is **2.3 times** that of the US in total

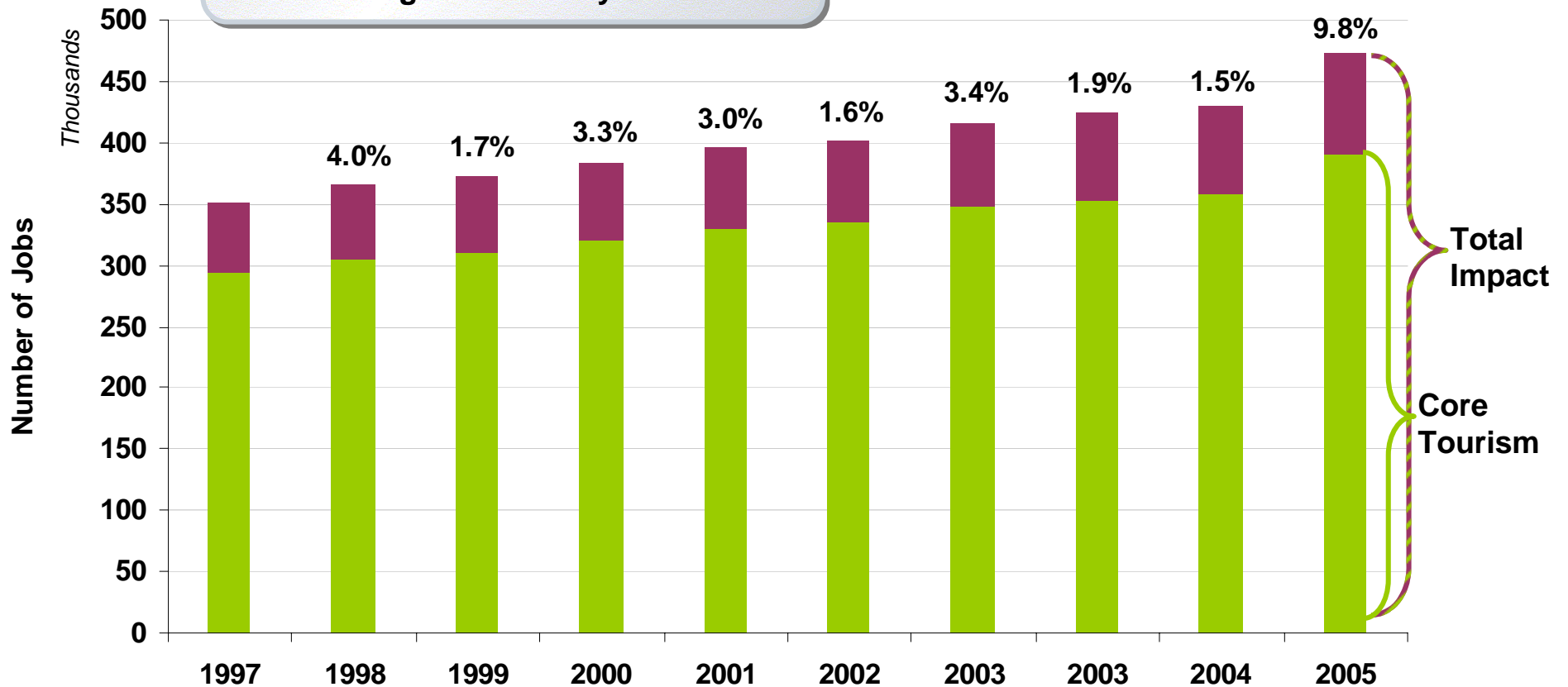
Non-Core Tourism – Indirect Benefits

Many industries not thought of as “tourism” but that supply goods and services to the tourism industry are beneficiaries of tourism.

Indirect Benefits of Tourism				
Rank	Industry	\$ Value (Millions)	'04-'05 Growth	% of Total
1	Real estate	712	15.0%	9.3%
2	Wholesale trade	549	20.1%	7.2%
3	Power generation and supply	295	15.6%	3.9%
4	Management of companies and enterprises	272	24.6%	3.6%
5	Lessors of nonfinancial intangible assets	220	14.6%	2.9%
6	Other State and local government enterprises	187	16.6%	2.5%
7	Maintenance and repair of nonresidential buildings	154	11.8%	2.0%
8	Employment services	149	15.8%	2.0%
9	Telecommunications	138	13.9%	1.8%
10	Advertising and related services	137	17.2%	1.8%
11	Architectural and engineering services	137	27.2%	1.8%
12	Legal services	135	16.8%	1.8%
13	Nondepository credit intermediation	128	13.4%	1.7%
14	Travel arrangement and reservation services	119	16.0%	1.6%
15	Scenic and sightseeing transportation and support	111	15.4%	1.5%
	Other Industries	2,481	17.6%	32.5%
	Investment	1,703	68.6%	22.3%
Total		7,628	25.8%	100%

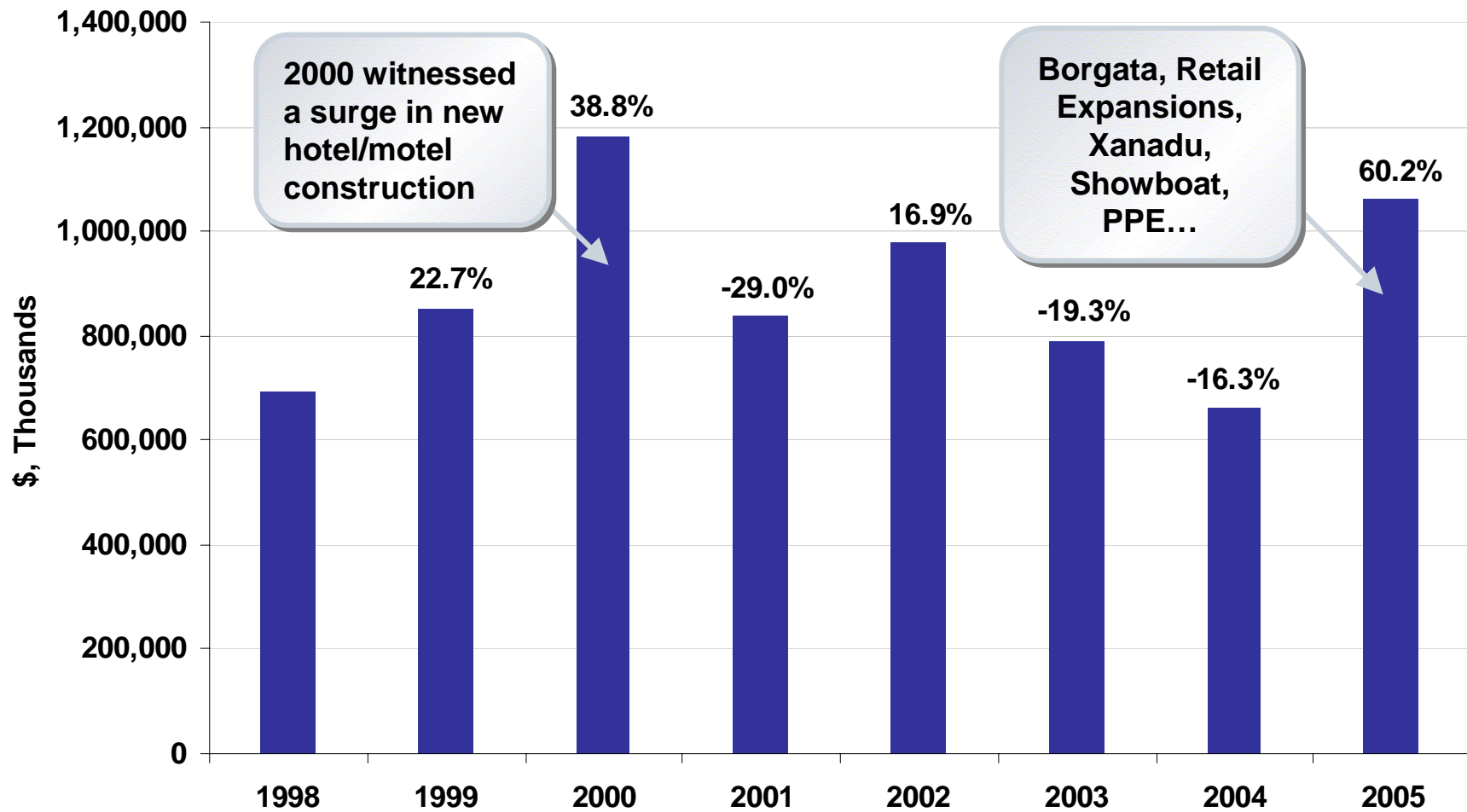
Total Tourism grew 9.8% in 2005

Core Tourism jobs comprise 83% of total tourism-generated employment and have grown steadily over time.



Non-Core Tourism – Construction Benefits

The Construction sector is also a significant beneficiary of tourism.



Tourism Generated \$7.1bn in Federal, State and Local Tax Revenue in 2005

- Tourism activity generated **\$4.0bn in state and local government revenue** in 2005, an **8.0% increase over 2004**.
- In 2005, **\$2.1 billion in state tax revenue** was generated by the travel & tourism sector in New Jersey. Indirect business tax (sales tax) and personal income tax are the two largest contributors.
- Tourism contributes disproportionately to state revenue. While tourism is responsible for 5.9% of NJ GSP, it contributed **7.6% of state government revenue in 2005**.
- **Tourism saves each New Jersey household \$1,236 in state and local taxes.**

State and Local Government Revenue

Tax Revenues from Tourism	2005 (Million)	'04-'05 Growth
Federal Government		
Corporate Income	923.7	7.5%
Personal Income	125.1	9.9%
Social Security & Other Taxes	2,065.0	10.0%
Federal Total	3,113.8	9.2%
State Government		
Corporate Profits Tax	90.9	6.8%
Personal Income	348.2	9.9%
Sales (excluding Hotel & Entertainment)	789.6	7.8%
Licenses & Fees	36.6	-22.0%
Other Taxes	423.6	9.5%
Hotel Sales Tax	169.5	9.9%
Entertainment Sales Tax	83.6	8.4%
Casino Room Fee	14.5	-8.5%
Casino Comp Tax	26.4	-11.0%
Occupancy Tax	86.1	9.9%
State Total	2,069.1	7.6%
Local Government		
Local Hotel Taxes	25.5	9.9%
Property Taxes	1,891.1	8.2%
Other Taxes	11.9	71.0%
Local Total	1,928.5	8.4%
Total	7,111.4	8.4%

Regional Distribution of Tourism

New Jersey is divided into six regions in the analysis:

● Skylands

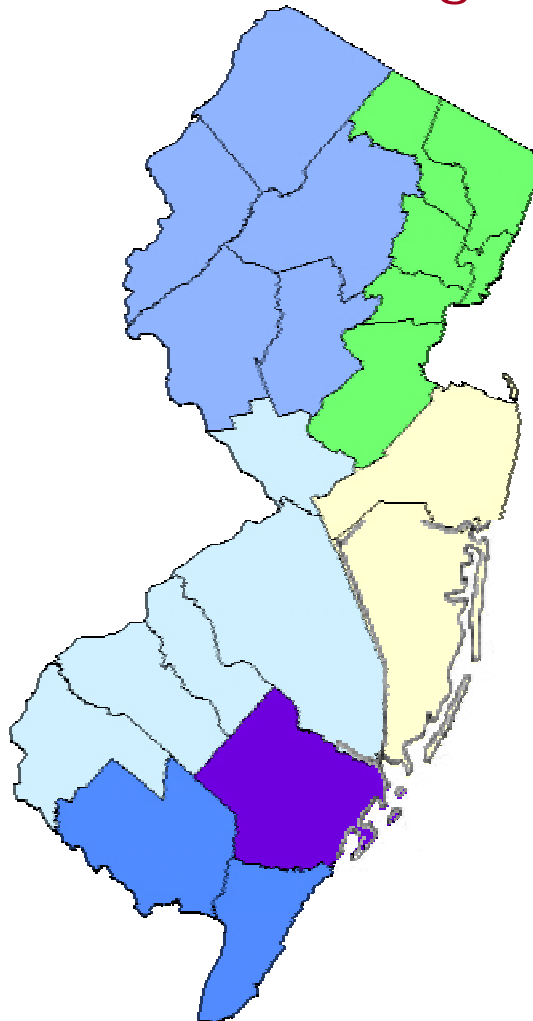
- Sussex • Somerset
- Warren • Morris
- Hunterdon

● Gateway

- Passaic • Hudson
- Bergen • Union
- Essex • Middlesex

● Delaware River

- Mercer • Gloucester
- Camden • Salem
- Burlington



● Shore

- Monmouth
- Ocean

● Greater Atlantic City

- Atlantic County

● Southern Shore

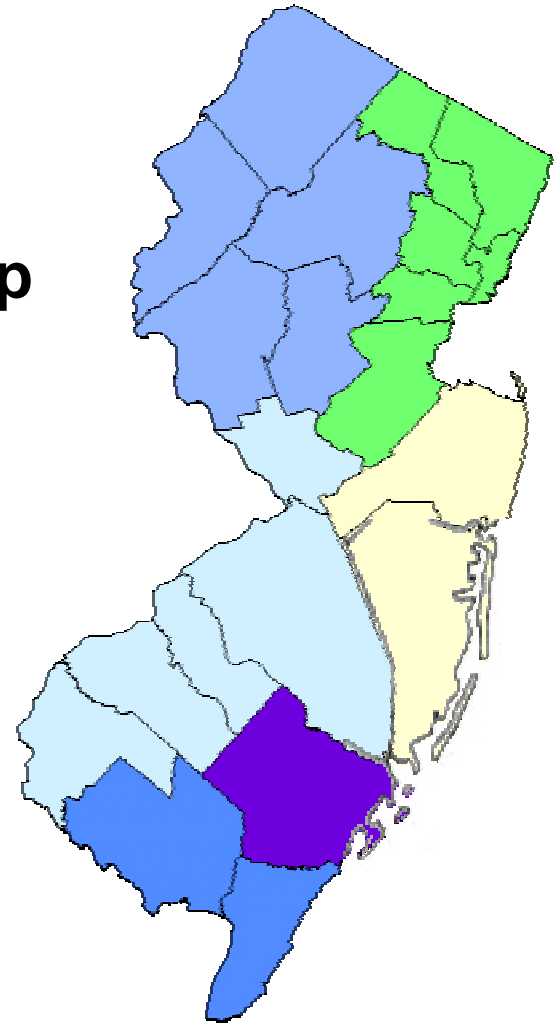
- Cumberland
- Cape May

Regional Distribution of Tourism

To understand the county breakdown, Global Insight approached industry members and state agencies to develop local level analysis.

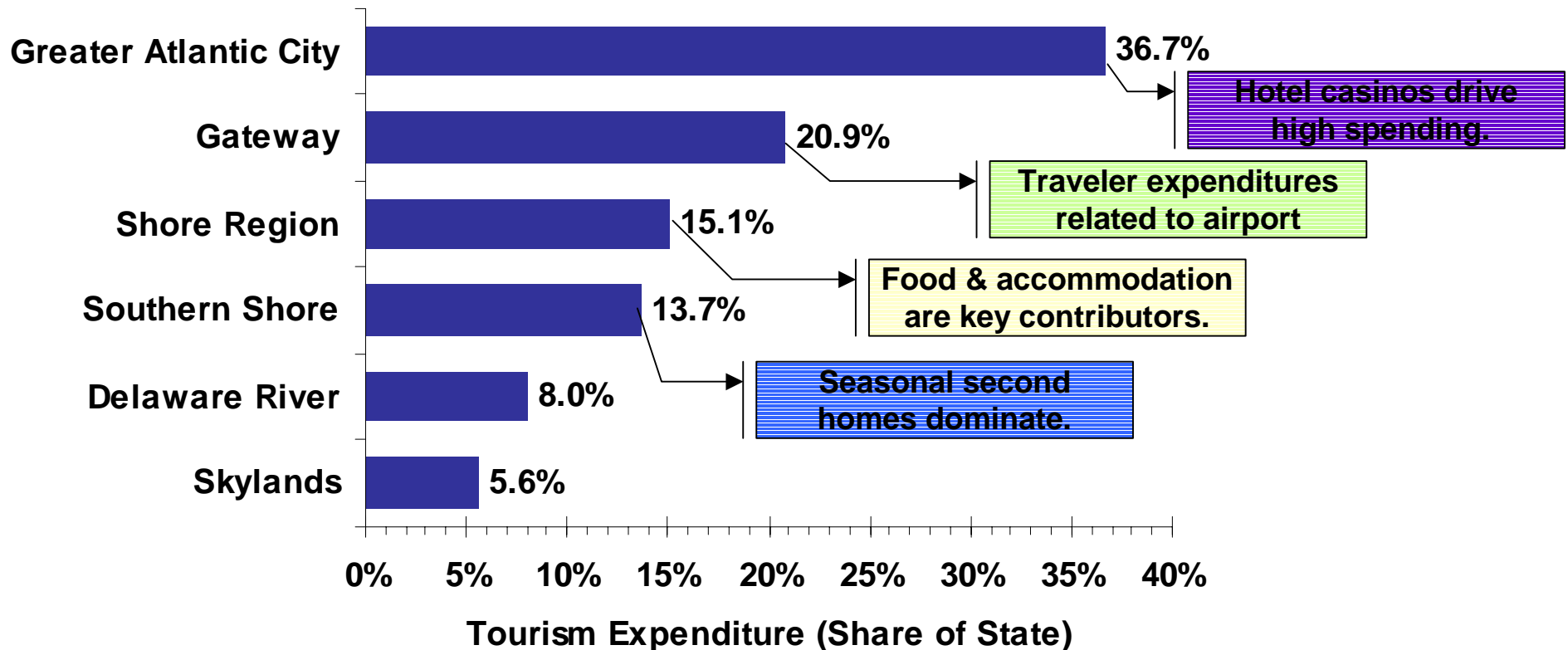
This research included analysis of:

- **Seasonal second homes**
- **Gaming reports**
- **Seasonality of employment –
compared across counties/regions**

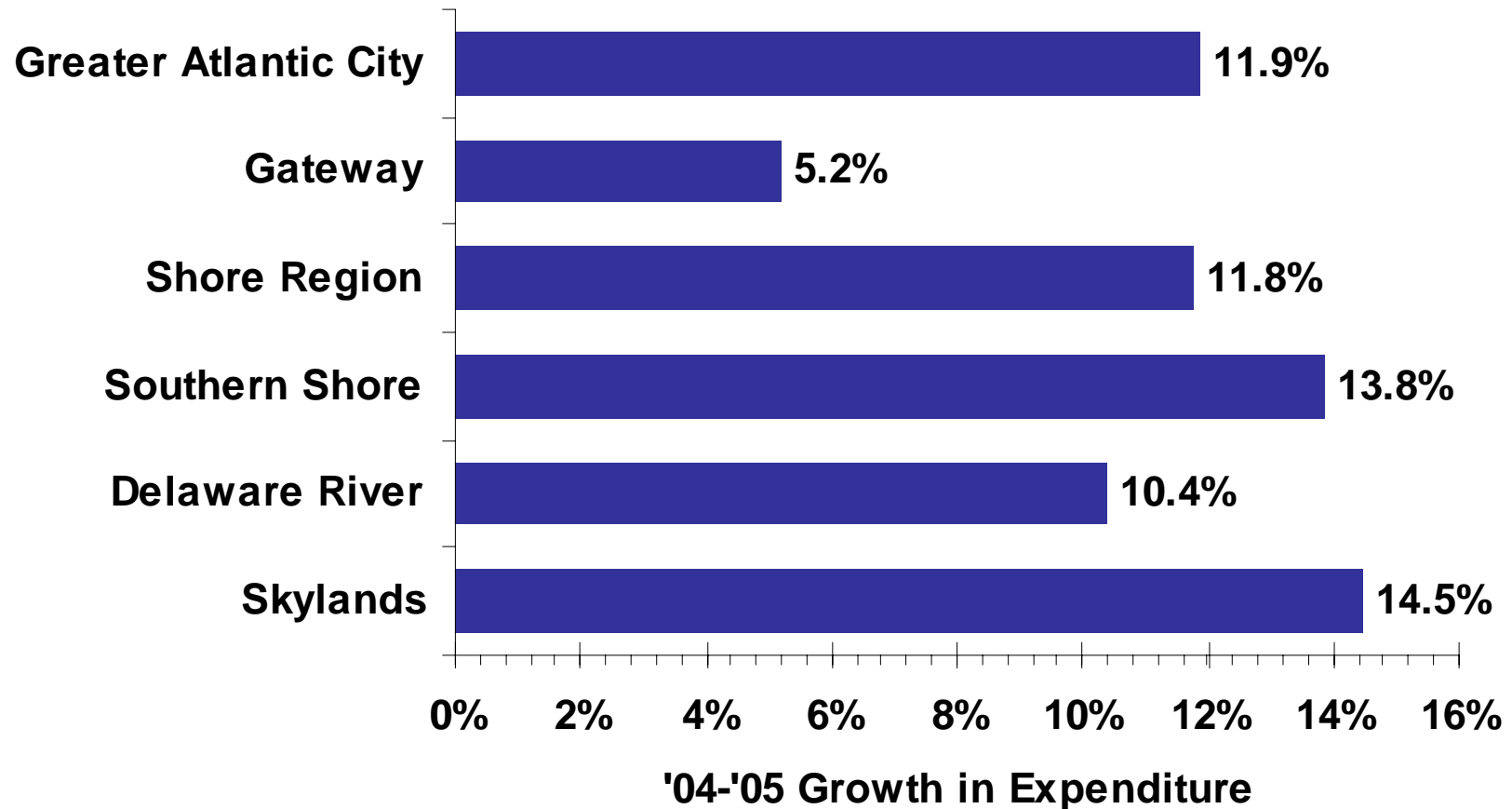


Regional Distribution of Tourism

Gateway has the 2nd largest share of statewide tourism spending.
The Shore and Southern Shore regions are almost tied.



Regional Growth in Expenditure



Regional Share of Statewide Tourism

Regional Share of Expenditure Category

	Entertainment	Accommodation	Transportation	Food	Shopping	Total
Greater Atlantic City	4.9%	48.2%	1.3%	45.5%	45.5%	36.7%
Delaware River Region	16.8%	4.1%	14.2%	7.1%	7.1%	8.0%
Gateway Region	30.7%	11.0%	73.1%	11.6%	11.6%	20.9%
S. Shore Region	9.9%	19.8%	2.7%	13.0%	13.0%	13.7%
Shore Region	21.5%	12.0%	3.9%	19.0%	19.0%	15.1%
Skylands Region	16.1%	4.9%	4.8%	3.8%	3.8%	5.6%
Total	100%	100%	100%	100%	100%	100%

Greater Atlantic City's Entertainment share is low because most casino activity is classified in the accommodation category.

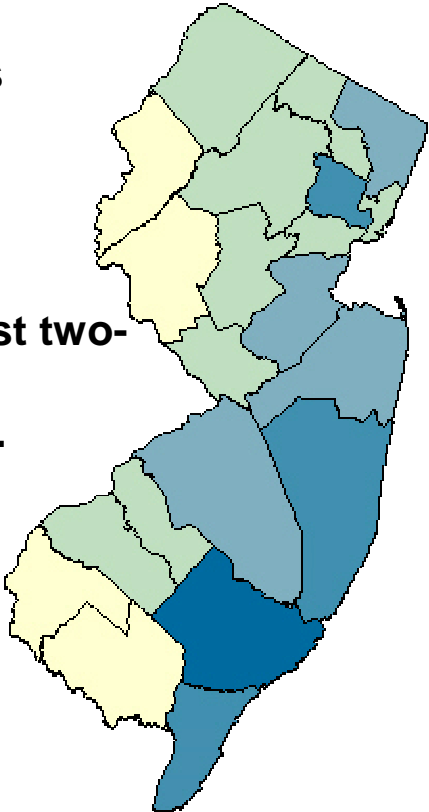
Regional Share of Statewide Tourism

Expenditure Category Share of Regional Tourism Spending

	Entertainment	Accommodation	Transportation	Food	Shopping	Total
Greater Atlantic City	1.4%	43.1%	0.4%	28.7%	26.3%	100%
Delaware River Region	22.5%	16.7%	21.5%	20.5%	18.8%	100%
Gateway Region	15.8%	17.2%	42.4%	12.9%	11.8%	100%
S. Shore Region	7.8%	47.6%	2.4%	22.0%	20.2%	100%
Shore Region	15.2%	26.0%	3.1%	29.1%	26.6%	100%
Skylands Region	30.8%	28.9%	10.3%	15.7%	14.4%	100%
Total	10.7%	32.8%	12.1%	23.1%	21.2%	100%

Greater Atlantic City's Entertainment share is low because most casino activity is classified in the accommodation category.

Tourism Expenditure by County

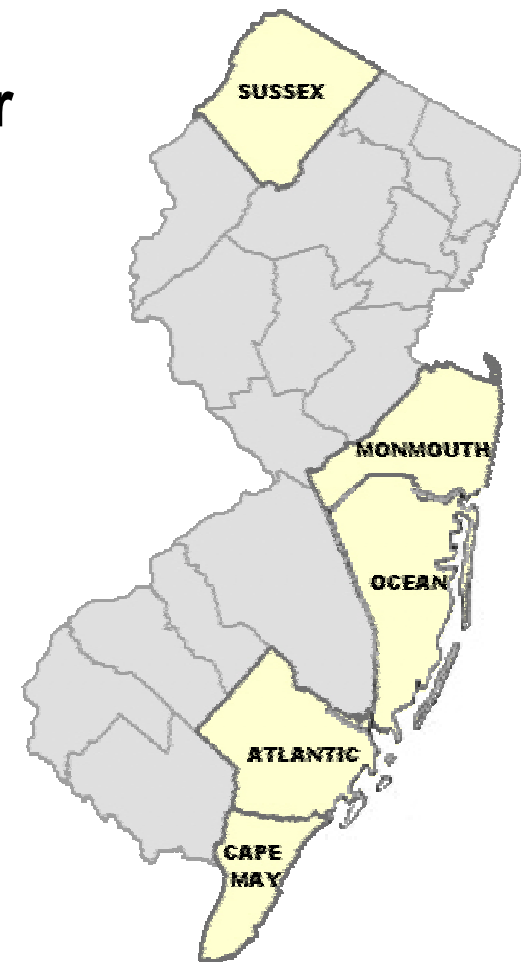
County Expenditure					NJ Expenditure	
Counties	Tourism Expenditure (\$\$ in MM)	'04-'05 Growth	Tourism Share of County Economy	Rank	% Share by County	
Atlantic	12,693.0	11.9%	49.1%	2	<p>Tourism is of greatest relative importance to Cape May, Atlantic and Ocean county. These 3 counties are also the leaders in terms of tourism expenditures. Combined these three counties contribute almost two-thirds of New Jersey's total tourism expenditure.</p> <p>County Share of State Tourism Expenditure (%)</p> <ul style="list-style-type: none"> 36.7 to 36.7 7.8 to 36.7 3.7 to 7.8 0.9 to 3.7 0.1 to 0.9 	
Cape May	4,639.7	13.8%	57.9%	1		
Ocean	3,325.8	9.7%	11.8%	3		
Essex	2,715.2	7.2%	3.1%	6		
Monmouth	1,909.1	15.6%	3.4%	5		
Bergen	1,608.0	1.0%	1.3%	8		
Burlington	1,382.9	8.8%	2.6%	7		
Middlesex	1,290.3	7.5%	1.2%	12		
Morris	751.3	10.3%	1.0%	14		
Hudson	640.7	5.4%	1.0%	15		
Union	640.1	4.0%	0.9%	18		
Somerset	598.7	21.3%	1.2%	11		
Camden	581.6	9.1%	1.2%	10		
Mercer	403.2	12.7%	0.9%	19		
Sussex	379.4	13.5%	5.4%	4		
Gloucester	346.8	16.2%	1.1%	13		
Passaic	327.7	3.7%	0.7%	20		
Hunterdon	106.6	12.6%	1.0%	17		
Warren	103.0	14.1%	1.3%	9		
Cumberland	86.4	16.9%	0.6%	21		
Salem	56.1	15.4%	1.0%	16		
Total *	34,585.4					

* Tourism expenditures except investment

Accommodation – Seasonal 2nd Home

Seasonal 2nd homes are an important part of accommodation expenditure for the counties along the coastline.

County	# of Seasonal 2nd Homes
Cape May	43,124
Ocean	33,200
Atlantic	11,700
Monmouth	7,726
Sussex	3,575
Total	99,325



How Important?

NJ TOURISM
ONE INDUSTRY. MANY BENEFITS.

Tourism related
spending of
\$36.3 billion



TOTAL

Gross State Product: \$25.7 billion

5.9% of GSP

Total Employment: 472,326 jobs

11.7% of Employment

CORE

Core GSP: \$18.9 billion

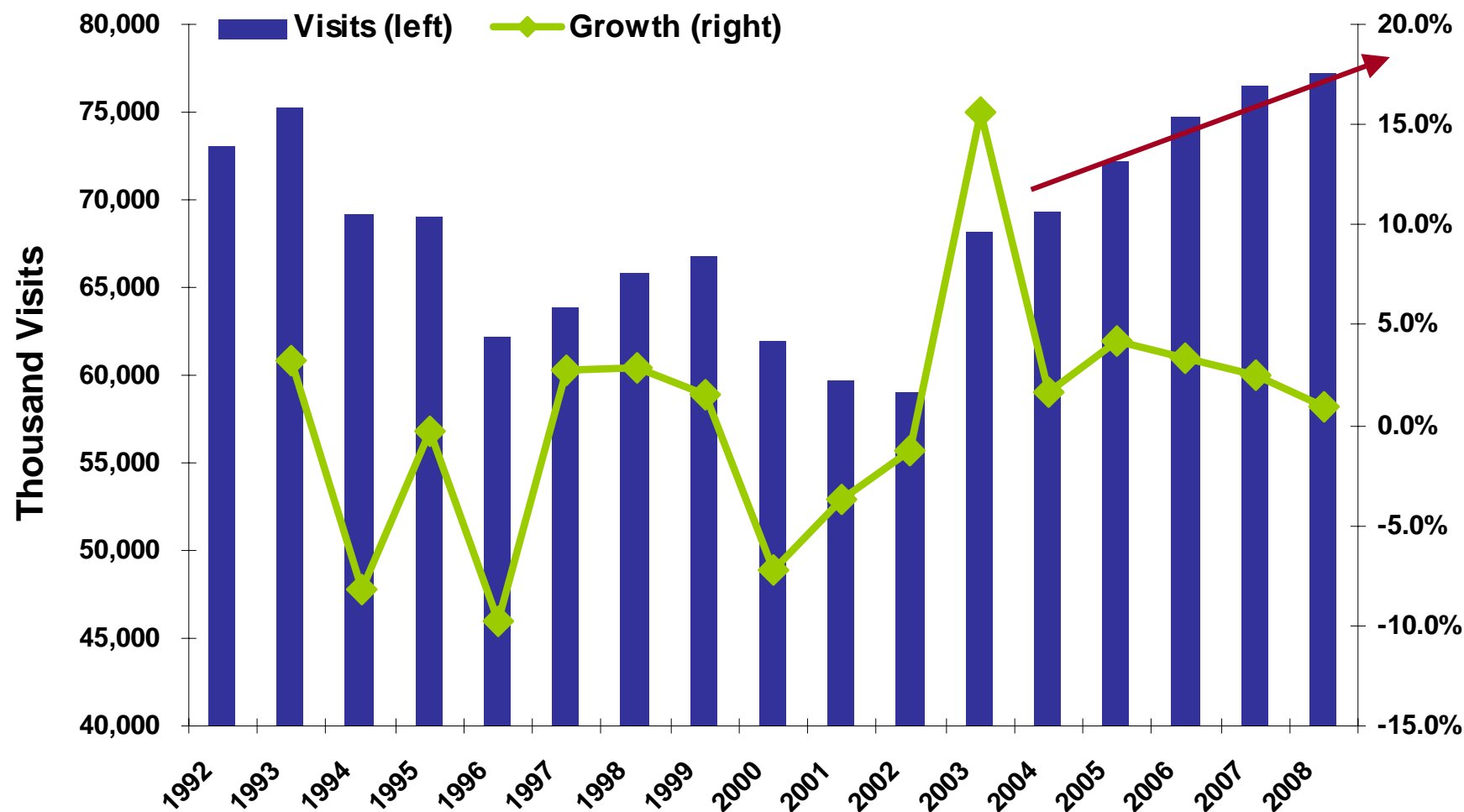
4.3% of GSP

Core Employment: 390,536 jobs

9.6% of Employment

3rd largest private sector employer

Visitation Outlook? New Jersey Continues to Ride High through 2007.



Little Change to the 2006 Outlook





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